

QLDC Council
28 October 2021

Report for Agenda Item | Rīpoata moto e Rāraki take 3

Department: Planning & Development

Title | Taitara Housing and Business Development Capacity (HBA) - HBA (Housing) 2021 Assessment

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

- 1 The purpose of this report is to provide the Council with the Housing Capacity Assessment for Queenstown (Attachment A), which is a requirement of the National Policy Statement for Urban Development (NPS-UD).

EXECUTIVE SUMMARY | WHAKARĀPOPOTOTANGA MATUA

- 2 Queenstown Lakes District (**the District**) is an area of high growth. Over the last five years, Queenstown Lake's population is estimated to have grown by 7.3% per year, compared to an average annual growth rate of 2% in New Zealand¹.
- 3 The National Policy Statement on Urban Development 2020 (**NPS-UD**) came into effect on the 20 August 2020, replacing the National Policy Statement on Urban Development Capacity 2016 (**NPS-UDC**). Queenstown is classified as a Tier 2 urban environment under the NPS-UD and is required to complete a Housing Capacity Assessment. As a Tier 2 territorial authority, the Council is required to ensure there is sufficient housing development capacity in the short (3 years), medium (10 years) and long-term (30 years).
- 4 The 2021 Housing Capacity Assessment for Queenstown Lakes District (Attachment A) considers the projected demand for housing and the existing capacity of the District's residential land. It also provides an analysis on the housing market and the impact of planning and infrastructure programmes.
- 5 The analysis shows that the District as a whole has sufficient development capacity based on planning rules and infrastructure programmes, within the short, medium and long term. However, the market is not delivering and is unlikely to deliver affordable housing for low-medium income households. Further targets and specific work will need to be undertaken to develop housing for these groups and others.
- 6 Outside of the impact of planning and infrastructure specifically on affordability and competitiveness, the impact of infrastructure constraints (particularly land transport infrastructure associated with key bridges on the state highway network) has been shown to have a negative impact on realising sufficient development capacity for the Eastern Corridor (Short term), Lake Hawea (Medium Term) and Southern Corridor² (Long Term). It is also of note that the Southern Corridor has short term constraints relating to

¹ <https://ecoprofile.infometrics.co.nz/queenstown-lakes%2Bdistrict/PDFProfile>

² Noting the Southern Corridor has short term constraints relating to three waters, however these can be bought forward through the Long Term Plan. The longer term constraints relate to roading (bridge) infrastructure issues.

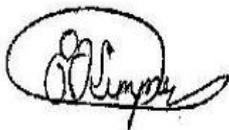
three waters, however there is the possibility that investment could be bought forward through the Long Term Plan.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report;
2. **Adopt** the Queenstown Lakes District Housing Development Capacity Assessment 2021 Main Report and the Queenstown Lakes District Housing Development Capacity Assessment 2021 Technical Report subject to any minor changes as a result of point (3) below;
3. **Delegate** to the General Manager, Planning and Development the authority to finalise the Housing Capacity Assessments on behalf of Council pending feedback from the Ministry of the Environment (MfE);
4. **Note** the key findings of these assessments will help inform Council's future work programmes and Councils ongoing obligation to monitor the uptake and use of residential zoned land; and
5. **Note** the requirement to update the district plan with the following housing bottom lines:
 - a. Short Term: an additional 930 dwellings.
 - b. Medium Term: an additional 6,220 dwellings.
 - c. Long Term: an additional 19,200 dwellings

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CONTEXT | HOROPAKI

Background

Growth and affordability issues in the Queenstown Lakes District

- 1 Housing growth numbers have been increasing steadily, with 2,691 housing units delivered since the 2017 HBA, which equates to just under 1000 houses constructed a year, with approx. 570 in the Wakatipu and the remainder built in the Upper Clutha. Growth is occurring in multiple locations, however the housing stock being delivered is predominantly within the larger greenfield areas, such as Shotover Country, Jacks Point, Hanley Downs, Northlake and Hāwea. These larger areas are typically delivering standalone houses.
- 2 Whilst housing numbers are increasing, housing affordability has been steadily decreasing, with the average median house price in the District increasing from \$873,469 in June 2017 to \$1,018,250 in March 2021. This is a significant issue for the District, as analysis shows that currently over 83% of our first-home buyer households and 37% of renters are spending more than 30% of their income on housing costs. These are at levels far higher than other parts of the country, and can result in stress, overcrowding, some households working longer hours, or people leaving the district seeking a more affordable home elsewhere.

National Policy Statement Urban Development

- 3 A National Policy Statement (**NPS**) provides national direction on matters of national significance (in this case urban development) and the RMA directs that a local authority must amend its district plan to give effect to an NPS. An NPS is also to be considered when assessing resource consent applications. The National Policy Statement on Urban Development 2020 (**NPS-UD**) came into effect on the 20 August 2020, replacing the National Policy Statement on Urban Development Capacity 2016 (**NPS-UDC**).
- 4 The NPS-UD was developed by the Ministry for the Environment (**MfE**) and the Ministry of Housing and Urban Development (**MHUD**) and its intended purpose is to require councils to plan well for growth and ensure the delivery of a 'well-functioning urban environment' for all people, communities and future generations.
- 5 To support well-functioning urban environments, the NPS-UD requires territorial authorities to make informed decisions about planning for growth to improve the responsiveness and competitiveness of land and development markets. In particular, the NPS-UD requires local authorities to provide sufficient plan-enabled, infrastructure-ready, and commercially feasible development capacity so that more homes can be built in response to demand. To demonstrate feasible development capacity, a Housing and Business Assessment (**HBA**) must be published every three years with the HBA (housing) required to be published by 31 July 2021³.

³ Due to internal and external resource constraints this deadline was unable to be met, this has been communicated with MfE

Housing Capacity Assessment

- 6 The council has an existing Housing Assessment (**HBCA 2017**), which was prepared under the preceding 2016 NPS-UDC. That assessment found that whilst the district has enough zoned capacity to meet population projections over the next 30 years, the:
 - a. Predominant typology of housing is standalone at 71%, with 21.5% of housing attached (town houses, terraced houses, apartments).
 - b. In respect of housing, there is a shortfall of feasible capacity in the lower to medium band priced housing.
 - c. This shortfall capacity in the lower to medium band priced housing is set to continue even though demand for this housing will increase.
- 7 Similar to the HBCA 2017, the 2021 HBA (housing) must also include a detailed analysis of housing demand and supply patterns, including recent trends and future projections over the short, medium, and long term (2020-2050). It is also required to quantify the capacity required for additional housing development that is plan enabled, commercially feasible, serviced by infrastructure and reasonably expected to be realised.
- 8 A new requirement for the 2021 HBA (housing) is to address the sufficiency of that capacity to meet projected future demand for additional dwellings by type and location and subsequently discuss the impact of Council's planning and infrastructure on housing affordability and the competitiveness of the housing market.
- 9 Another key differences between the 2017 HBCA and the 2021 HBA (housing), is that Local authorities that share an urban environment must work together on their HBA. As Queenstown Lakes District Council and the Otago Regional Council has jurisdiction over the same Tier 2 urban environment of Queenstown⁴, both Councils have had had joint responsibility for preparing the 2021 HBA (housing).
- 10 Subsequently Otago Regional Council has met 50% of the costs of the HBA (housing) report that was prepared by Market Economics as it required detailed technical and economic assessments in order to fulfil the NPS-UD requirements. In addition Otago Regional Council's Team Leader Urban Growth has been extensively involved in the development and review of the HBA (housing) alongside a number of Queenstown Lakes District Council staff.
- 11 The NPS-UD requires the Queenstown lakes District Council and the Otago Regional Council to develop a highly detailed understanding of supply and demand for residential capacity as well as the needs of the community, the property and development market and competing market factors. It also requires a comprehensive understanding of holiday homes and visitor accommodation, and how these impact residential land capacities. To do this, the HBA (housing) is expected to:

⁴ Table 2 of Appendix: Tier 1 and tier 2 urban environments and local authorities

- a. analyse the affordability and competitiveness of the housing market and the impact of planning decisions and infrastructure on this market;
 - b. estimate demand for housing land, by type and location, in the short, medium and long term;
 - c. quantify development capacity for housing and its commercial feasibility and what is reasonably expected to be realised in the short, medium and long term;
 - d. provide 'bottom lines' for sufficient housing development capacity that states the amount of housing development capacity needed to meet expected housing demand⁵; and
 - e. quantify any insufficiencies in development capacity for housing land, and whether the shortfalls are due to planning or infrastructure constraints.
- 12 Once sufficiency is quantified through the HBA (housing), then Council is required to do the following:
- a. Determine whether there is sufficient development capacity by type and location in the short, medium and long term, then:
 - i. If there is sufficient development capacity, continue to monitor
 - ii. If there isn't sufficient development capacity, there are several steps to take:
 1. notify the Minister for the Environment immediately
 2. If the insufficiency is due to planning constraints, amend the district plan and any other relevant plan or strategy (Spatial Plan/Future development strategy)
 3. Consider other options for increasing development capacity.
 - b. Insert housing bottom lines⁶ into the district Plan (and regional policy statement) for the short, medium and long term;

Note: The purpose of the housing bottom lines as required by clause 3.6 of the NPS-UD is to clearly state the amount of development capacity that is sufficient to meet expected housing demand plus the appropriate competitiveness margin in the region and each constituent district of a tier 1 or tier 2 urban environment.
 - c. Determine whether the existing district plan planning rules will give effect to the housing bottom lines;

⁵ Which once the HBA is published, is then required to be inserted into both the Otago Regional Policy Statement and Councils Proposed District Plan as soon as practical

- i. If they don't (as expected housing demand (+ margin) is higher than the RER), increase what capacity is infrastructure ready and/or make changes to the district plan (such as zone more residential land or increase the densities of existing residential areas); or
- ii. If they do (RER is higher than demand (+ margin)), continue to monitor sufficiency and enable development capacity.

HBA Approach Summary

- 13 The 2021 HBA (housing) demand assessment builds on detailed information of district level customised data and standard Census 2018 data, other Statistics NZ data including, but not limited to; dwelling consent data, data purchased from CoreLogic on housing values, sale prices and purchaser patterns, and Council's dwelling growth projections.
- 14 In term of population growth numbers, the HBA (housing) has used Council's Change the Path scenario (high growth) which would see an additional 10,800 persons in the district over the decade to 2030 (+27%) and an additional 36,000 by 2050 to reach 76,600 residents (+87%).
- 15 The HBA (housing) assessment translates the Council's Change the Path scenario (high growth) total dwelling projections into demand for dwellings in the defined urban environment⁷ and rural environment parts of the district. In the District's urban environment, total dwelling numbers (inclusive of the NPS-UD competitiveness margin) increase as follows:
 - a. 930 additional dwellings to reach 19,690 by 2023 (short term),
 - b. 6,400 additional dwellings to reach 24,980 by 2030 (medium term); and
 - c. 19,800 additional dwellings to reach 37,960 by 2050 (long term).

Note: The Competitive margin (clause 3.27 of the NPS-UD): This is calculated through an analysis of the housing demand assessment, which is an estimate of the demand for additional housing over the short, medium and long term, and working out the different locations and the dwelling types (standalone or attached) needed. This analysis must be compared to the development capacity in the HBA (housing). The competitiveness margin for short and medium term is 20% and for long term is 15%.

- 16 These numbers become important as the HBA (housing) assesses them against plan enabled, commercially feasible and infrastructure ready dwelling capacity numbers in the urban environment to determine whether the District has sufficient capacity as per the NPS-UD requirements.

⁷ The NPS UD definition of urban environment, means any area of land that is, or is intended to be, predominantly urban in character, and that is, or is intended to be, part of a housing and labour market of at least 10,000 people.

- 17 For the short – medium – long term assessments, the assessment is based on the Operative District Plan⁸ (short term), the Proposed District Plan (medium term) and draft Spatial Plan⁹ (long term) and draws on a number of Council's external datasets, considers past trends and monitoring of indicators, and factors in current and proposed infrastructure.
- 18 The key patterns of total resident dwelling and holiday home demand by location over the short, medium, and long term are contained in Council's preferred High Growth projections released in July 2020¹⁰. Modelling was carried out to distinguish current and future demand in each location by attached and detached housing types, using Census 2018 data and assumptions around shifting housing trends (locally and nationally).
- 19 The assessment focuses predominantly on the urban environment of Queenstown and Wanaka Urban Growth Boundaries, but also provides an assessment of capacity of areas outside Urban Growth Boundaries that provide for urban density housing, this includes (but is not limited to) the settlement areas (Kingston, Glenorchy, Cardona and Luggate). In addition, those rural areas identified by the Spatial Plan as indicative future urban areas such as the Southern Corridor and Eastern Corridor have been included in the long term assessment analysis.
- 20 Development capacity under the NPS-UD refers to the land to be developed for housing or business use based on the RMA documents and the provision of adequate development infrastructure to support the development. In particular, the NPS-UD specifies that HBAs must assess:
- a. plan-enabled capacity;
 - b. infrastructure serviced capacity (current and planned/identified);
 - c. commercial feasibility; and
 - d. Reasonably expected to be realised capacity.
- 21 This report provides a brief summary of the results of the Housing Capacity Assessment, and it should be noted that it does not include a business land development capacity assessment as it was not required at this time¹¹. The full report is attached as Attachment A – Queenstown Lakes District Housing Development Capacity Assessment 2021 Main Report (**HBA (housing)**).

⁸ Short term is based on the decisions version of Stages 1 and 2, and any zones that were not included in the district plan review (i.e. special zones) that were already operative. Basically, the consolidated district plan excluding decisions version of Stage 3.

⁹ When the HBA work commenced, the Spatial Plan was only in draft form, only the indicative urban expansion areas are included in the capacity analysis.

¹⁰ <https://www.qldc.govt.nz/community/population-and-demand>

¹¹ HBA (business) is required to be completed in 2024

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

Housing Capacity Assessment 2021 results

Population and Households

- 22 The HBA (housing) analyses housing demand by modelling demand in terms of the number of households, the household structure i.e. household types, dwelling type, and dwelling tenure and how that relates to household incomes. This is important as it becomes an important determinant of housing affordability, this approach is discussed in full in the Attachment B - Queenstown Lakes District Housing Development Capacity Assessment 2021 Technical Report (**Technical Report**).
- 23 The HBA (housing) analysis indicates the following:
- a. Increases in the number of older households, with those in the 60+ and above categories more than doubling over the medium to long term¹². Younger age groups (including children) start to make up only a relatively small proportion of the future population;
 - b. Increases in one person and couple householders, with one person and couple households accounting for around three-quarters of the total household growth in the medium term, and in the long term;
 - c. Small increases in the shares of the population of Māori, Pacific and Asian ethnicities, and a corresponding decrease in the proportional share of those of European and other ethnicities; and
 - d. Lower and lower-middle income households are expected to account for a greater share of future housing demand (20% currently increasing to 25% long term)¹³.
- 24 This analysis is important for two key reasons:
- a. Affordability issues, become progressively more important for non-owner households in the middle and later years, as lifetime earning potential reduces, and ability to access housing finance often reduces;
 - b. These changes should translate into market supply, in theory, over the medium to long term, dwelling types should be decreasing in both size and cost.
- 25 In regards to these changes translating into the market supply, the NPS-UD requires that the HBA (housing) included a requirement to survey local residential developers¹⁴. Respondents were asked what their target household type was (when selling to the market) and, the significant majority of responses were family households, including those delivering duplex and terrace housing. Only one respondent most targeted single or couple households in the retirement market.

12 See Table 2.2 – Population Growth Outlook (5 Year Lag & Change the Path Future) by Age Cohort

13 This is a direct relationship to the one person/couple households and increase in older age groups (i.e. retired age groups).

14 See Section 9 Housing Stakeholder Survey of the Technical Report for the results of the developer survey

- 26 Given the projected growth of One-person and Couple households, this suggests that the residential development market in the District may need to shift its supply focus if the future demand by Couple and One-person households is also to be met (based on this sample of responses). The analysis has shown that delivering more attached housing, for example, is commercially feasible (i.e. profitable to develop), so it is more about developers being willing to shift their focus from mainly larger and more expensive family homes to include more smaller and more affordable homes.

Plan enabled and Commercial Feasible Capacity

- 27 Plan-enabled capacity is the analysis of the dwelling capacity that is enabled by land zoning within the relevant district plan or spatial plan. Whilst commercially feasible development capacity involves analysing plan enabled capacity where it is feasible for a commercial developer to construct a dwelling. This is assessed by analysing the likely costs of construction relative to the expect sale price of the dwellings capable of being developed on any one site under the planning rules.
- 28 The modelling has found that there are large amounts of zoned and commercially feasible capacity for additional residential dwellings across the short, medium, and long term. The level of feasible opportunity is large relative to the existing demand base within these areas, as well as future projected demand. Consequently, if all this land was able to be built on, it would likely provide a sizeable range of development options for future residential development.
- 29 It is important to note that plan enabled and commercially feasible capacity modelling does not take into account infrastructure constraints. However, these are important to understand as it assists in determining whether there are any potential constraints coming from the plan enabled capacity which a Territorial Authority would be required to fix.

Infrastructure Readiness

- 30 Infrastructure readiness is the analysis that determines whether Council has adequate development infrastructure to service the development of the land over the short (0-3 years), medium (3-10 years) and long term (10-30 years). Development infrastructure is defined as network infrastructure for water supply, wastewater, stormwater and land transport.
- 31 Table 1 below shows the additional dwelling growth that may be able to be serviced by ongoing planned investment in Three Waters over the short, medium, and long term as well as what can be serviced by Land Transport. The modelling found that for some areas, where there are land transport (i.e. bridge) infrastructure constraints because of no confirmed or planned investment¹⁵ then the reporting area is unable to be serviced and therefore this significantly reduces the potential for additional dwelling growth according to the NPS-UD.

¹⁵ This includes both planning responses and infrastructure investment by either QLDC, ORC or Waka Kotahi

32 As can be seen from Table 1, The Eastern Corridor, Southern Corridor and Lake Hawea are the areas where the requirement to be ‘infrastructure ready’ in the short, medium, and long term will be key issues for Council.

Reporting Area	Short Term			Medium Term			Long Term		
	3 Waters	Land Transport	Minimum Serviced Dwellings	3 Waters	Land Transport	Minimum Serviced Dwellings	3 Waters	Land Transport	Minimum Serviced Dwellings
Arrowtown	13	-	-	158	-	-	158	-	-
Arthurs Point	66	N/A	66	148	N/A	148	526	N/A	526
Eastern Corridor	17	-	-	737	-	-	2,737	-	-
Frankton	369	N/A	369	1,679	N/A	1,679	2,779	N/A	2,779
Kelvin Heights	88	603	88	183	603	183	1,408	603	603
Outer Wakatipu **	N/A	423	423	N/A	423	423	N/A	423	423
Quail Rise	27	N/A	27	247	N/A	247	247	N/A	247
Queenstown Town Centre	588	N/A	588	2,353	N/A	2,353	5,983	N/A	5,983
Small Township - Wakatipu	84	N/A	84	419	N/A	419	779	N/A	779
Southern Corridor	417	627	417	4,260	627	627	10,742	627	627
Total Wakatipu			2,061			6,079			11,967
Cardrona	245	N/A	245	245	N/A	245	1,110	N/A	1,110
Lake Hawea *	90	35	35	740	35	35	2,240	35	35
Luggate	140	N/A	140	140	N/A	140	515	N/A	515
Outer Wanaka **	N/A	36	36	N/A	36	36	N/A	36	36
Wanaka Town Centre	517	N/A	517	2,517	N/A	2,517	6,517	N/A	6,517
Total Wanaka			973			2,973			8,213
Total District			3,034			9,052			20,180
Total Urban Environment			2,575			8,593			19,721

Source: QLDC, Abley, M.E. Net Growth in Serviced Dwellings (2020 Base). * Land Transport results conservative. ** Rural environment only. N/A equates to no dwelling growth constraint associated with land transport (bridge) infrastructure over the long term.

33 Note, the ‘*minimum serviced dwellings*’ column represents the maximum number of dwellings able to be serviced that is infrastructure ready (irrespective of plan enabled capacities). For example, in the short term the Southern Corridor identifies that 417 dwellings can be serviced by planned three waters investment, whilst 628 dwellings could be serviced by land transport (i.e. the bridge). Therefore, the 417 becomes the maximum number of dwellings that could be serviced in the short term.

34 The colours (purple or yellow) identify the overall constraint in the *minimum serviced dwellings* column. So for the Southern Corridor, three waters is the constraint in the short term (purple), but changes to land transport (yellow) in the medium-longer term even though by 2030-2050, the three waters infrastructure should be now available i.e. 10,472, however the 627 dwellings becomes the maximum dwellings regardless, unless the land transport constraint is reduced or removed prior to those timeframes.

Reasonably expected to be realised capacity

35 Reasonably expected to be realised (RER) capacity is a new measure that has been introduced by the NPS-UD and identifies that whilst some land can be both; plan enabled, infrastructure ready and commercially feasible, not all of this capacity land will end up being developed. This is because in some cases, developers won’t develop to the maximum density in the district plan. Local authorities need to be aware of such supply trends in the market (although this is the aspect of development capacity that Councils can least influence). Within this, there is also a requirement for the HBA (housing) to

quantify demand in both existing and future urban (greenfield) areas and to differentiate between dwelling typologies such as stand-alone vs attached dwellings.

36 Overall, the RER assessment found that at a district wide level, whilst RER dwelling capacity is significantly less than plan enabled or commercially feasible, once infrastructure ready is factored in, there is still sufficient RER to meet demand (inclusive of the required competitiveness margin) and deliver a surplus¹⁶ over the short, medium and long term, this can be seen in figure 1 below:

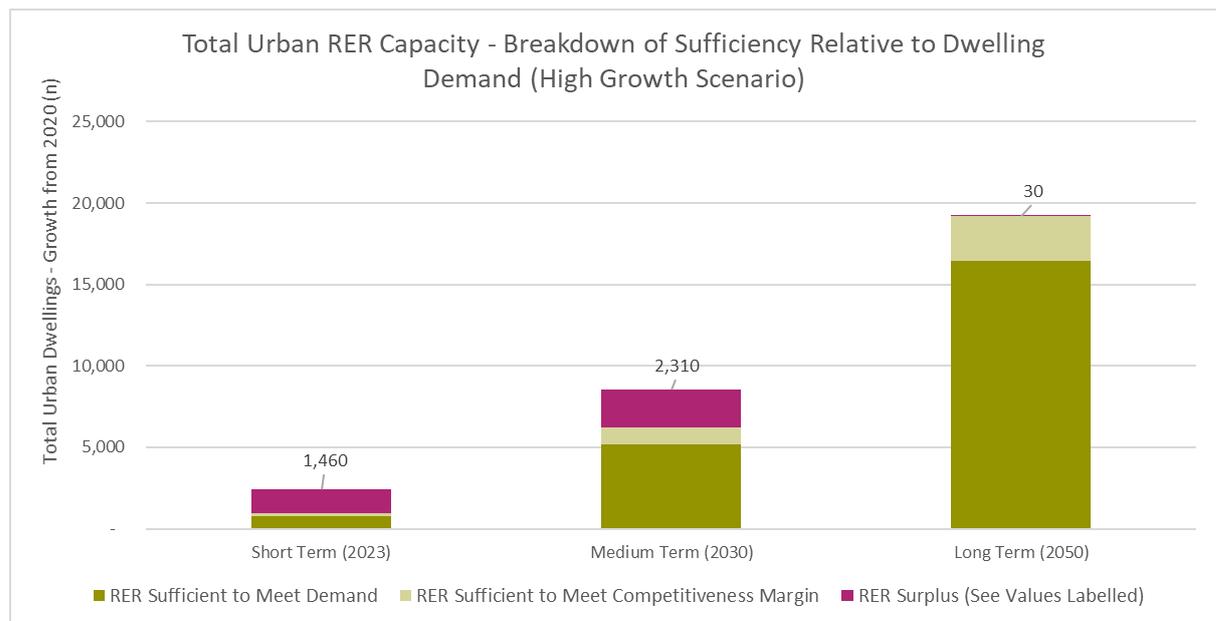


Figure 1 –Total urban RER capacity across the District

37 Essentially RER capacity is largely limited by infrastructure constraints across most areas of the urban environment (mainly over the medium and long term). The sufficiency assessment at a location level helps to identify the areas where the infrastructure constraints could become binding on growth and therefore where a planning and/or investment approach may be needed to help unlock capacity in those locations.

Overall Sufficiency Assessment

38 The HBA concludes with an assessment of the sufficiency of development capacity for housing in the urban environment in the short, medium, and long term. This compares demand for dwellings by type and location in the urban environment, inclusive of a competitive margin of an additional 20% in the short and medium term and an additional 15% in the long term, with development capacity that is plan enabled, infrastructure ready, commercially feasible and reasonably expected to be realised by type and location.

39 The sufficiency assessment identifies that at a more detailed level, the Wakatipu Ward shows a minor shortfall of housing capacity due to the lack of infrastructure readiness in the Eastern and Southern Corridors, however the HBA (housing) determines that this is

¹⁶ Note, the surplus is not expected to be built, but has the potential to be delivered if demand was higher than expected

offset by the ability to meet demand in both Frankton and the Queenstown Town Centre and High Density Zone surrounds.

- 40 However, it should be noted that the HBA (housing) capacity analysis does not factor into its assessment residential housing that could be consented for short term visitor accommodation after it has been constructed. This is due to residential consent data not providing visibility on the end use of the dwelling unit. It may be owned and occupied by a resident household, built for long term rental for resident households, built as a holiday home, or used for short term residential visitor accommodation. Anecdotally, many of the apartments consented recently in the district have been for residential visitor accommodation. There is however lots of flexibility to switch from one use to another. Therefore, all housing in these zones is potentially available to meet housing demand from both resident households and holiday home owners.
- 41 This is important to be aware of as the Queenstown Town Centre Zone and the surrounding High Density Zone, are expected to be delivering attached residential housing within the lower to medium price bands as well as picking up the Greenfield shortfalls caused by infrastructure constraints. However, they are also the most enabling of residential visitor accommodation. Economic evidence provided in the District Plan Review process¹⁷ found that Airbnb listings were highest in the High Density Zone, with one listing for every 2,082m², followed by the Queenstown Town Centre zone at 4,641m².
- 42 Overall, the Wānaka Ward shows a minor surplus of housing capacity relative to expected demand (+ the margin), with Wanaka Town Centre picking up the surplus demand due to infrastructure constraints in Hawea. In all time periods and at a district level, shortfalls in some locations can be met by surpluses in a range of other locations nearby which according to the HBA (housing) assessment means that there is no scarcity of supply, and a competitive market is enabled. This can be seen in figure 2 below (note, small Township - Wakatipu is predominantly Kingston):

¹⁷ <https://www.qldc.govt.nz/media/mtoixggp/economic-evidence-for-visitor-accommodation-s2239-qldc-t15-heyes-r-evidence-30909970-v-1.pdf>

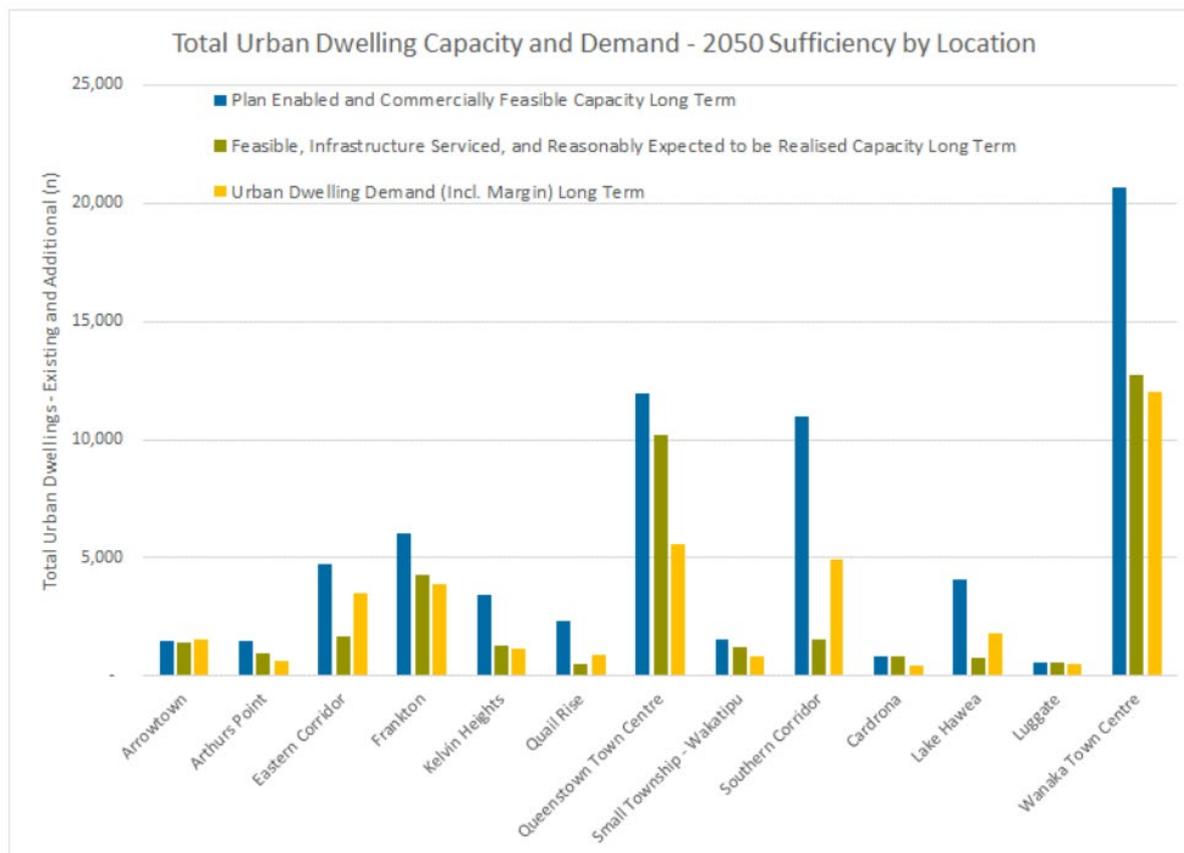


Figure 2 –Total urban dwelling capacity and demand - 2050 Sufficiency by location

43 In respect of typologies, the HBA (housing) found that for the Wakatipu, over the long term there is predicted to be a minor shortfall in standalone housing capacity, with a minor surplus of attached housing in the long term. This is due predominantly to infrastructure constraints on the Southern¹⁸ and Eastern Corridors. The Wanaka ward indicates the reverse with a surplus of standalone and a shortfall in attached housing. However this should be tempered by the assumption that all housing remains as fully residential and that the assumed surplus of attached housing in the Wakatipu (Queenstown Centre Zone & High Density Residential Zone) doesn't end up in the short term visitor accommodation market.

44 The HBA (housing) finds that at a total urban environment level, there is sufficient development capacity (just) to meet projected long term demand (inclusive of a margin). This satisfies a core requirement of the NPS-UD and is shown in Figure 3 below:

¹⁸ The Southern Corridor has short term three waters constraints but it is possible to reprioritise investment through the Ten Year Plan, so this may only be a constraint at this particular point in term. The medium-longer term transport (bridge) issues are more complicated constraints as they involve third parties (Waka Kotahi)

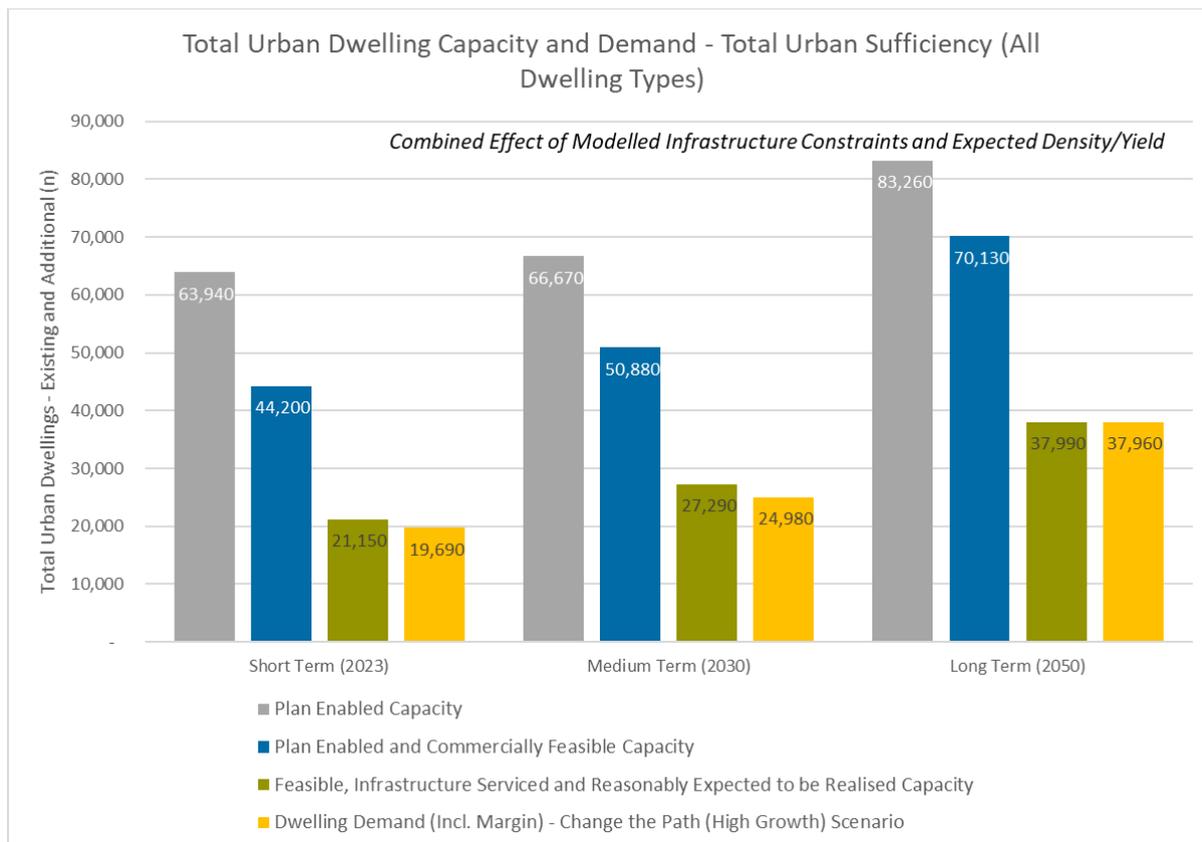


Figure 3 - Summary of Sufficiency of Urban Dwelling Capacity (All Types) in Queenstown Lakes District

Ward	Demand for Additional Dwellings			Urban Env. Serviced, Feasible, RER + Rural Env. Plan Enabled			Sufficiency of Dwelling Capacity		
	2020-2023	2020-2030	2020-2050	Short-Term	Medium-Term	Long-Term	Short-Term	Medium-Term	Long-Term
Wakatipu Ward Total	580	3,860	11,920	2,320	6,350	12,270	1,740	2,490	350
Urban Environment (+ Margin)	560	3,750	11,580	1,600	5,630	11,550	1,040	1,880	30
Rural Environment	20	110	340	720	720	720	710	610	380
Wanaka Ward Total	380	2,550	7,860	1,070	3,190	7,960	690	640	100
Urban Environment (+ Margin)	370	2,470	7,620	790	2,910	7,680	420	440	60
Rural Environment	10	80	240	280	280	280	270	200	40
Total District	960	6,400	19,780	3,390	9,530	20,230	2,430	3,130	450
Urban Environment (+ Margin)*	930	6,220	19,200	2,390	8,530	19,230	1,460	2,310	30
Rural Environment	30	180	580	1,000	1,000	1,000	970	820	420

Source: QLD Council Growth Projections July 2020 (High Growth), M.E QLD Dwelling Demand Model 2021, M.E QLD Capacity Model 2021. * Demand figures equate to Housing Bottom Lines. Rural environment capacity included in the table is not infrastructure constrained. Figures rounded to nearest 10.

Table 2 – Total District Dwelling Sufficiency (Excl. Existing Estate by Ward – Change the Path Future

Housing 'bottom lines' for sufficient housing development capacity that states the amount of housing development capacity needed to meet expected housing demand

- 46 Clause 3.6(1) of the NPS-UD requires that “the amount of development capacity that is sufficient to meet expected housing demand plus the appropriate competitiveness margin” in the short-medium and in the long term is clearly stated in each district of a tier 2 urban environment. The Housing Bottom Line is to be based on the amount of “*feasible, reasonably expected to be realised development capacity that must be enabled to meet demand, along with the competitiveness margin*”. Once determined, the Housing Bottom Lines must be inserted into the District Plan and Regional Policy Statement.
- 47 The following are the calculated Housing Bottom Lines for the District urban environment for the short, medium and long term. They are based on an estimated current (2020) urban dwelling count of 18,757¹⁹ as informed by Council’s July 2020 growth projections and estimated by M.E to fall within the defined long term urban environment boundary. They relate to the Council’s preferred high growth future. Sufficient zoned and infrastructure-served, feasible and reasonably expected to be realised development capacity is required to meet the following number of projected additional dwellings in each time period:
- a. Short Term (2023): an additional 930 dwellings.
 - b. Medium Term (2030): an additional 6,220 dwellings.
 - c. Long Term (2050): an additional 19,200 dwellings.
- 48 As the HBA (housing) identifies that the District has sufficient feasible plan enabled capacity, that can be infrastructure serviced, and that is reasonably expected to be realised, no changes to Council planning rules (PDP) are required and so the housing bottom lines numbers can just be inserted into the plan with no Schedule 1 process²⁰. The insertion of the bottom lines in this instance, is to only clearly state the amount of development capacity required to meet expected housing demand and to provide clear direction for future monitoring of growth.
- 49 It is important to note that if Council’s growth projections are updated (which they frequently are), that these Housing Bottom Lines would also need to be updated.

Housing Affordability

- 50 In terms of whether there is sufficient feasible, serviced and reasonable expected to be realised housing capacity in price bands affordable for non-owner resident households to buy, Table 3 below shows the residential housing shortfall (*shown as red*) for the District. There is a clear decline in housing affordability over time and increasing shortfalls in the

¹⁹ 18,757 is the number of current (2020) houses in the urban environment (no margin applies to current houses).

²⁰ The insertion of bottom lines must be done without using a process in Schedule 1 of the Act, but any changes to RMA planning documents required to give effect to the bottom lines must be made using a Schedule 1 process

51 The current situation is that there is a shortfall of housing in price bands below \$500,000 (-2,350 affordable dwellings in 2020 for first home buyers, with the majority of these households in rental accommodation). These housing affordability shortfalls are set to worsen and if there are no interventions by 2050 to help first home buyers get into the housing market. Otherwise, there could be a shortfall of 6,960 affordable dwellings affecting dwelling value bands all the way up to \$1.19m.

Dwelling value Band (\$'000)	2020	2023	2030	2050
\$0-99	- 770	- 1,060	- 1,220	- 2,120
\$100-199	- 770	- 790	- 860	- 1,470
\$200-299	- 490	- 480	- 650	- 1,170
\$300-399	- 270	- 370	- 380	- 760
\$400-499	- 50	- 160	- 130	- 420
\$500-599	10	130	90	420
\$600-699	240	90	100	160
\$700-799	370	300	150	160
\$800-899	440	320	340	70
\$900-999	920	980	280	70
\$1000-1099	1,040	1,130	570	70
\$1100-1199	780	1,140	1,220	70
\$1200-1299	600	880	1,090	720
\$1300-1399	440	670	850	650
\$1400-1499	330	430	660	1,060
\$1500-1599	260	390	690	1,110
\$1600-1699	200	250	450	800
\$1700-1799	190	240	400	990
\$1800-1899	180	170	290	850
\$1900-1999	210	190	200	580
\$2000-2199	70	150	160	960
\$2200-2399	150	220	200	830
\$2400+	1,240	1,340	1,690	4,520
Net Outcome	5,326	5,893	6,002	6,128
Shortfall	- 2,350	- 2,990	- 3,330	- 6,960
Surplus	7,670	8,890	9,340	13,070

Source: ME Housing Demand Model 2021

Note: Red identifies the housing shortfalls within the dwelling value bands and green is the surplus of housing units in that price bracket to meet demand

Table 3 - Indicated Total District Resident Housing Shortfall – Change the Path - Base Case Housing Price Growth

Conclusions

52 The HBA (housing) analysis has provided comprehensive assessment of the housing and residential land markets in Queenstown Lakes District, and demand for housing from the District population. It covers all of the key aspects which the NPS-UD sets out.

- 53 The assessment of capacity for new dwellings, and the commercial feasibility analysis indicates that Council's planning framework can be expected to deliver enough feasible capacity to accommodate the needs of the District resident population over the long term. On that basis, Council's current planning and infrastructure conditions are not expected by themselves to place upward pressure on housing prices in the District.
- 54 However, housing prices will continue to be affected by a range of local and especially national-level factors (outside of Council's control) which are expected to place upward pressure on housing prices across the District. In the long term, that has been associated with the high popularity of the district as a place for holiday dwellings, which has meant additional demand for housing and sections beyond that from permanent residents.
- 55 These pressures are expected to see affordability in the District decline in the future for non-owner households, (which are not attributable to the Council's planning and infrastructure). That shortfall of affordable dwellings is estimated at 6,960 for non-owner households by 2050, compared with an estimated current shortfall of 2,350 affordable dwellings for 2020.

Recommendations from the HBA

- 56 The HBA (housing) analysis indicates that the Council has made sufficient provision for housing growth. As a consequence, Council's planning and infrastructure is not likely to place upward pressure on prices. One important requirement for future planning and decision making is to focus on strategies which will help maintain these conditions and potentially improve them. The HBA includes a number of recommendations²¹ for ongoing monitoring and alignment of key strategies that could resolve some of the timing issues for three waters constraints.
- 57 As well as the broad recommendations, the HBA also commented on specific matters which could be improved in the short term (including steps that would facilitate future HBAs):
- i. Waka Kotahi state highway bridges in the urban environment (Shotover, Kawarau Falls and Albert Town), show the potential to significantly impact on the ability to realise growth in the Eastern Corridor, Southern Corridor and Lake Hawea over the short-medium-long term. Further work is needed to understand the current and projected land transport issues facing these housing catchments in more detail, and what changes would be needed to effectively and efficiently cater for housing growth. Any future decision making on these areas will need to have specific regard to land transport constraints and opportunities.
 - ii. Investigate the use of alternative funding and financing tools to accelerate infrastructure delivery in the priority development areas identified in the Draft Spatial Plan.

²¹ Section 11.2 of the HBA – page 212

- iii. Affordable housing - Further supply of land or density provisions, where already expansively available, are unlikely in and of themselves to increase the rate of supply of housing by the development sector in the lower value bands. Therefore, increasing the supply of affordable dwellings is likely to take specific effort and initiatives to make development of such dwellings feasible. Encouraging and enabling initiatives that increase the uptake of enabled and serviced capacity in a more affordable price range will continue to be important to help ensure a comprehensive and balanced future dwelling estate. Such initiatives may include:
 - a. Inclusionary zoning;
 - b. further investment by Kāinga Ora to complement the broad-brush mechanisms like zoning and development controls in the District Plan; and
 - c. Other measures to reduce building costs, complexity and time delays.
- iv. Current dwelling growth projections – the Change the Path (High Growth) future projects little household growth in the short term but strong holiday home growth in that period. While this HBA (housing) has taken total dwellings for the purpose of the sufficiency assessment (which is not sensitive to the mix of ownership types), the future affordability modelling (sufficiency by price band) is based on resident household growth, which in the short term is a small portion of total growth. It is recommended that regular monitoring of total dwellings (consents) and population/household estimates continues to evaluate the suitability of the projections for planning and decision making over the short term.

Next Steps

- 58 Following adoption of the HBA report, Council is required to insert the following Housing Bottom Lines into the District Plan (No Schedule 1 process required):
- a. Short Term: an additional 930 dwellings.
 - b. Medium Term: an additional 6,220 dwellings.
 - c. Long Term: an additional 19,200 dwellings.
- 59 As an ongoing requirement, staff will continue to review and implement the HBA (housing) recommendations as covered above (refer section 11.2 of the HBA (housing) report for the recommendations in detail), with particular emphasis on:
- a. Monitoring the adequacy of zoned and infrastructure serviced land supply as required by the NPS-UD;
 - b. Further investigate current and projected land transport (bridge capacity) issues for Hawea, the Southern and Eastern Corridors given the current and projected bridge capacity issues. Noting that a planning response will be required to align the draft Spatial Plan outcomes, such as well- designed neighbourhoods that provide for everyday needs, consolidated growth and more housing choice, and

public transport, walking and cycling are everyone's first travel choice. An example of this is the Te Pūtahi – Ladies Mile masterplan which is focusing on planning solutions that do not result in car centric developments;

- c. Investigating the use of alternative funding and financing tools to accelerate infrastructure delivery in the priority development areas identified in the Draft Spatial Plan; and
- d. Continuing to work on Councils current affordable housing initiatives as well as investigate additional mechanisms and further investment opportunities.

60 Advice There are no options available with this agenda item, as it is an information only item with a recommendation to note the report. Options for implementation will be reported on separately in subsequent reporting as the HBA is given effect to.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 61 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy because of the social, economic and environmental importance the HBA assessment has locally.
- 62 The persons who are affected by or interested in this matter are neighbouring authorities, infrastructure providers, providers of community facilities, residents/ratepayers of the Queenstown Lakes district community, developers, and a range of other groups individuals and entities who will need to be consulted in various ways in the various work programs arising from the NPS-UD.

> MĀORI CONSULTATION | IWI RŪNANGA

- 63 The Council did not consult on this HBA (housing), however the Council has and will continue to engage with Iwi through Aukaha and Te Ao Mārama as part of the preparation and development of a Future Development Strategy and the Spatial Plan ensuring they are a partner in decision making and policy development at key stages.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 64 This matter relates to the Community & Wellbeing risk category. It is associated with RISK00056: Ineffective provision for the future planning and development needs of the district within the QLDC Risk Register. This risk has been assessed as having a low inherent risk rating.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 65 There are budget and cost implications in regards to meeting the requirements of the NPS-UD, including the monitoring and preparation of the Future Development Strategy. These have all been budgeted within the Ten Year Plan. Council has completed the Spatial Plan and will commence work on the Future Development Strategy.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

66 The following Council policies, strategies and bylaws were considered:

- The Operative and Proposed District Plan;
- Housing Our People in our Environment Strategy 2007;
- Ten Year Plan 2021-2031;
- The Spatial Plan 2021.
- Growth Management Strategy 2007;
- 30 year Infrastructure Strategy; and
- QLDC Housing Development Capacity Assessment 2017

67 The recommended option is consistent with the principles set out in the named policy/policies.

68 This matter is included in the Ten Year Plan/Annual Plan and can be shared across a range of specific budgets including district plan and transport budgets.

LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHAKA WAETURE

69 Legal considerations and statutory responsibilities will need to be taken into account in respect of adding the housing bottom lines to the District Plan, noting no Schedule One process is required.

70 Adoption of the Housing Development Capacity Assessment is a statutory requirement of the National Policy Statement – Urban Development, and must be published as soon as practicable.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

71 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses; and
- Can be implemented through current funding under the Ten-Year Plan and Annual Plan; and
- Is consistent with the Council's plans and policies.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Queenstown Lakes District Housing Development Capacity Assessment 2021 Main Report
B	Queenstown Lakes District Housing Development Capacity Assessment 2021 Technical Report

Both attachments are circulated separately.